

CITY OF ROCK VALLEY, IOWA

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended
June 30, 2020

CITY OF ROCK VALLEY, IOWA

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CITY OF ROCK VALLEY, IOWA

OFFICIALS

Name	Title	Term Expires
Kevin Van Otterloo	Mayor	December, 2023
Dale Kooima	Mayor ProTem	December, 2021
Mark Faber	Council Member	December, 2023
Jeff Koldenhoven	Council Member	December, 2023
Char Granstra	Council Member	December, 2021
Jeremy Van't Hul	Council Member	December, 2021
Tom Van Maanen	City Administrator	Indefinite
Tina Vande Kamp	City Clerk	Indefinite
Jenny Winterfeld	Attorney	Indefinite

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Rock Valley, Iowa

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City of Rock Valley, Iowa's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of June 30, 2020, and the respective changes in the cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rock Valley, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2019 (which are not presented herein) and expressed an unmodified opinion which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The Management's Discussion and Analysis, Other Information, and Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The supplementary information and schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Other Information and Management's Discussion and Analysis on pages 4 through 8 and 27 through 31 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021 on our consideration of the City of Rock Valley, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Rock Valley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rock Valley, Iowa's internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
June 30, 2021

CITY OF ROCK VALLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

The City of Rock Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2019-2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 6.73%, or \$690,550 from fiscal year 2019 to fiscal year 2020. Property tax increased approximately 15.59%. Taxes collected in fiscal year 2019 totaled \$1,609,567 and \$1,860,508 in fiscal year 2020, an increase of \$250,941 due to continued residential, commercial, and industrial development in Rock Valley. Local Option Sales Tax receipts increased \$98,895 from fiscal year 2019 to fiscal year 2020 due to an increase in taxable sales in Sioux County. Intergovernmental receipts increased 8.56% or \$9,725 from fiscal year 2019 to fiscal year 2020. Tax increment financing revenue decreased 2.21% or \$35,111 from 2019 to 2020 due to changes to the taxable values of residential, commercial and industrial properties in Rock Valley.
- Disbursements of the City's governmental activities decreased 6.93% or \$734,631 from fiscal year 2019 to fiscal year 2020. Of this total decrease, \$1,809,480 was in capital projects. Public safety increased disbursements by \$102,020, debt service increased by \$185,875, public works increased \$564,552, culture and recreation increased \$269,957, general government decreased \$57,334, community and economic development increased \$9,779 from fiscal year 2019 to fiscal year 2020.
- The City's governmental cash basis net position increased \$313,029 from June 30, 2019 to June 30, 2020.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year, the schedule of the City's proportionate share of the net pension liability along with a schedule of contributions and all related notes.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government –Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position – Cash Basis reports information which helps answer this question.

The Statement of Activities and Net Position – Cash Basis presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Position – Cash Basis is divided into two kinds of activities:

- Government Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, the storm sewer system, campground, garbage collection and municipal housing. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, and 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The city maintains six Enterprise Funds to provide separate information for the Water Fund, Sewer Fund, Garbage Fund, Campground Fund, Storm Sewer Fund, and Municipal Housing Fund.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$313,029. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2020	2019
Receipts:		
Program Receipts		
Charges for Service	\$ 415,540	\$ 283,195
Operating Grants and Contributions	604,964	801,933
Capital Grants and Contributions	404,579	34,790
General Receipts:		
Property Taxes	1,860,508	1,609,567
Tax Increment Financing	1,553,562	1,588,673
Local Option Sales Tax	501,730	402,835
Interest	21,983	33,478
Hotel/Motel Tax	18,599	-
Intergovernmental	123,342	113,617
Reimbursements	355,854	323,715
Sale of Assets	75,354	31,800
Franchise Taxes/Fees	261,957	245,290
Proceeds from Financing	3,320,000	4,750,000
Miscellaneous	50,654	40,283
Total Receipts	9,568,626	10,259,176
Disbursements:		
Public Safety	980,759	878,739
Public Works	1,241,727	677,175
Culture and Recreation	870,332	600,375
Community and Economic Development	550,000	540,221
General Government	420,214	477,548
Debt Service	2,730,320	2,544,445
Capital Projects	3,077,245	4,886,725
Total Disbursements	9,870,597	10,605,228
Change in Cash Basis Net Position – Before Transfers	(301,971)	(346,052)
Transfers, Net	615,000	989,056
Change in Cash Basis Net Position	313,029	643,004
Cash Basis Net Position – Beginning of Year	1,840,579	1,197,575
Cash Basis Net Position – End of Year	\$ 2,153,608	\$ 1,840,579

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City's property tax rate for fiscal year 2020 was at 13.20776, which is lower than fiscal year 2019 when the tax rate was at 13.48084. The Council continues to try to attain a lower tax levy as the property tax base increases.

The cost of all governmental activities decreased this year by 6.93%, to \$9,870,597 compared to \$10,605,228 last year. The decrease is attributed to the cost of the capital projects that were completed in fiscal year 2020. These projects included the Rock Ridge Road/East Meadow Road, annexation capital projects, water meter replacement project, Southern Trails Addition and the completion of the City Hall/Event Center Project. The City issued \$220,000 in general obligation notes and \$2,250,000 of revenue notes to pay for these projects. Also the City was awarded a \$600,000 loan from FEMA, which was forgiven.

Changes in Cash Basis Net Position of Business Type Activities

	Year Ended June 30,	
	2020	2019
Receipts:		
Program Receipts:		
Charges for Services:		
Water	\$ 855,750	\$ 869,849
Sewer	922,760	869,132
Garbage	314,394	305,826
Campground	133,183	126,028
Storm Sewer	36,650	10,114
Municipal Housing	180,503	175,774
General Receipts		
Sale of Assets	150,000	180,014
Total Receipts	2,593,240	2,536,737
Disbursements:		
Water	846,527	755,853
Sewer	537,476	539,574
Garbage	590,923	255,860
Campground	195,587	147,805
Storm Sewer	27,614	4,449
Municipal Housing	188,474	472,238
Total Disbursements	2,386,601	2,175,779
Change in Cash Basis Net Position - Before Transfers	206,639	360,958
Transfers, Net	(615,000)	(989,056)
Change in Cash Basis Net Position	(408,361)	(628,098)
Cash Basis Net Position – Beginning of Year	531,104	1,159,202
Cash Basis Net Position – End of Year	\$ 122,743	\$ 531,104

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash basis net position decreased by \$155,777 due to receipts being transferred to the Debt Service fund to pay for Revenue and G.O Bonds.
- The Sewer Fund cash basis net position decreased by \$284,716 due to receipts being transferred to the Debt Service fund to pay for Revenue and G.O Bonds.

BUDGETARY HIGHLIGHTS

The City was overall under budget for the total disbursements, however was over budget in the Public Works, General Government, and Business-type Activities functions. These were mainly a function of timing of projects and slight overruns in budgeted disbursements.

DEBT ADMINISTRATION

A comparison of the City's debt at June 30, 2019 and June 30, 2020 follows:

	Year Ended June 30,	
	2020	2019
General Obligation	\$ 7,486,281	\$ 8,635,000
Revenue Notes / Loans	10,983,000	9,087,000
Total	\$ 18,469,281	\$ 17,722,000

The City continues to invest heavily in infrastructure that will allow the City to continue to grow. At the end of fiscal year 2020, the City had debt of \$7,486,281 applicable to the debt limit which was 68% of the City's bonding limit which is \$13,235,765. The City also had \$10,983,000 of Revenue Bonds that were not applicable to the City's bonding limit.

ECONOMIC FACTORS

The City has an aggressive philosophy in investing in the infrastructure that is needed to promote and stimulate continued growth of Rock Valley. These investments include Rock Ridge Road/East Meadow Road, annexation capital projects, water meter replacement project, Southern Trails Addition and the completion of the City Hall/Event Center Project. The City continues to invest in the water and sewer enterprises so that these utilities are capable of handling additional customers. These investments along with the growth of the residential, commercial and industrial sectors in Rock Valley are why the property tax valuations have increased from \$217,113,824 in 2016 to \$282,690,784 in 2020 for a 30.2% increase over the past five years and the taxable valuations increased from \$138,355,918 in 2016 to \$187,997,959 in 2020 for a 35.9% increase over the past five years. With the City's investment in residential developments, the City has seen one hundred thirty-two new houses and nine apartment units with a total of sixty-four units constructed since 2011.

In 2020, the City saw the construction of single-family homes remain below average. Assessed values on existing homes continued to increase because of a strong housing market. Commercial and industrial sectors remain strong and are generating additional revenues which is stabilizing the City's finances.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Tina Vande Kamp, City Clerk, PO Box 100, 1303 10th Street, Rock Valley, Iowa 51247, (712) 476-5707.

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BASIC FINANCIAL STATEMENTS

CITY OF ROCK VALLEY, IOWA
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
As of and For the Year Ended June 30, 2020

Functions/Programs	Disbursements	Program Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 980,759	\$ 237,931	\$ 42,578	\$ 215,067
Public Works	1,241,727	-	431,118	1,012
Culture and Recreation	870,332	154,546	48,888	188,500
Community and Economic Development	550,000	-	82,380	-
General Government	420,214	23,063	-	-
Capital Outlay	3,077,245	-	-	-
Principal	2,021,321	-	-	-
Interest	708,999	-	-	-
Total governmental activities	9,870,597	415,540	604,964	404,579
Business-Type Activities:				
Water Utility	846,527	855,750	-	-
Sewer Utility	537,476	922,760	-	-
Garbage Utility	590,923	314,394	-	-
Campground	195,587	133,183	-	-
Storm Sewer	27,614	36,650	-	-
Municipal Housing	188,474	180,503	-	-
Total Business-Type Activities:	2,386,601	2,443,240	-	-
Total Primary Government	\$ 12,257,198	\$ 2,858,780	\$ 604,964	\$ 404,579

General Receipts and Transfers:

Property taxes
Tax Increment Financing
Local Option Sales Tax
Hotel-Motel Tax
Interest
Intergovernmental
Reimbursements
Sale of Assets
Franchise Taxes/Fees
Miscellaneous
Proceeds from Financing
Interfund Transfers
Total general receipts and transfers
Change in cash basis net position

Cash basis net position - beginning

Cash basis net position - ending

Cash Basis Net Position

Restricted:

Debt Service
Streets
Employee Benefits
Other Purposes
Local Housing Assistance

Unrestricted

Total Cash Basis Net Position

Exhibit A

Net (Disbursements) Receipts
and Changes in Cash Basis Net Position

Governmental Activities	Business-Type Activities	Total
\$ (485,183)		\$ (485,183)
(809,597)		(809,597)
(478,398)		(478,398)
(467,620)		(467,620)
(397,151)		(397,151)
(3,077,245)		(3,077,245)
(2,021,321)		(2,021,321)
(708,999)		(708,999)
<u>(8,445,514)</u>		<u>(8,445,514)</u>
	\$ 9,223	9,223
	385,284	385,284
	(276,529)	(276,529)
	(62,404)	(62,404)
	9,036	9,036
	<u>(7,971)</u>	<u>(7,971)</u>
	56,639	56,639
<u>(8,445,514)</u>	<u>56,639</u>	<u>(8,388,875)</u>

1,860,508	-	1,860,508
1,553,562	-	1,553,562
501,730	-	501,730
18,599	-	18,599
21,983	-	21,983
123,342	-	123,342
355,854	-	355,854
75,354	150,000	225,354
261,957	-	261,957
50,654	-	50,654
3,320,000	-	3,320,000
615,000	(615,000)	-
<u>8,758,543</u>	<u>(465,000)</u>	<u>8,293,543</u>
313,029	(408,361)	(95,332)
1,840,579	531,104	2,371,683
<u>\$ 2,153,608</u>	<u>\$ 122,743</u>	<u>\$ 2,276,351</u>

\$ 1,883,817	\$ -	\$ 1,883,817
435,378	-	435,378
154,368	-	154,368
174,233	-	174,233
36,690	-	36,690
(530,878)	122,743	(408,135)
<u>\$ 2,153,608</u>	<u>\$ 122,743</u>	<u>\$ 2,276,351</u>

See Accompanying Notes to Financial Statements

CITY OF ROCK VALLEY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Governmental Funds
As of and For the Year Ended June 30, 2020

	Special Revenue			
	General	Employee Benefits	Local Option Sales Tax	Road Use Tax
Receipts:				
Property Taxes	\$ 1,111,893	\$ 215,058	\$ -	\$ -
Tax Increment Financing	-	-	-	-
Other City Taxes	261,957	-	-	-
Licenses and Permits	8,356	-	-	-
Intergovernmental	487,796	5,443	-	431,118
Charges for Services	307,056	-	-	-
Special Assessments	-	-	-	-
Contributions	90,263	-	-	-
Local Option Sales Tax	-	-	501,730	-
Rental of City Property	93,330	-	-	-
Interest on Investments	21,983	-	-	-
Reimbursements	-	-	-	-
Miscellaneous	385,924	-	-	-
Total Receipts	2,768,558	220,501	501,730	431,118
Disbursements:				
Public Safety	942,170	38,589	-	-
Public Works	817,410	-	-	424,317
Culture and Recreation	870,332	-	-	-
Community and Economic Development	140,822	-	2,090	-
General Government	420,214	-	-	-
Capital Projects	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Total Disbursements	3,190,948	38,589	2,090	424,317
Excess (Deficiency) of Receipts to Disbursements	(422,390)	181,912	499,640	6,801
Other financing sources (uses):				
Loan Proceeds	600,000	-	-	-
Bond Proceeds	-	-	-	-
Sale of Assets	6,610	-	-	-
Transfers In	465,000	-	-	-
Transfers Out	(600,000)	(100,000)	(378,640)	-
Total other financing sources	471,610	(100,000)	(378,640)	-
Change in Cash Balances	49,220	81,912	121,000	6,801
Cash Balances (Deficits) - Beginning of Year	(9,298)	72,456	53,233	428,577
Cash Balances (Deficits) - End of Year	\$ 39,922	\$ 154,368	\$ 174,233	\$ 435,378
Cash Basis Fund Balances (Deficits)				
Restricted for:				
Debt Service	\$ -	\$ -	\$ -	\$ -
Streets	-	-	-	435,378
Employee Benefits	-	154,368	-	-
Other Purposes	-	-	174,233	-
Local Housing Assistance	-	-	-	-
Assigned to:				
Fire Department	275,447	-	-	-
Ambulance	256,891	-	-	-
Unassigned	(492,416)	-	-	-
Total Cash Basis Fund Balances (Deficits)	\$ 39,922	\$ 154,368	\$ 174,233	\$ 435,378

See Accompanying Notes to Financial Statements

Exhibit B

TIF Fund	Debt Service	Capital Projects	Nonmajor Other Governmental Funds	Total Governmental Funds
\$ -	\$ 533,557	\$ -	\$ -	\$ 1,860,508
1,553,562	-	-	-	1,553,562
-	-	-	-	261,957
-	-	-	-	8,356
72,605	17,228	-	-	1,014,190
-	-	-	-	307,056
-	1,012	-	-	1,012
-	-	36,500	-	126,763
-	-	-	-	501,730
-	-	-	-	93,330
-	-	-	-	21,983
-	-	-	36,901	36,901
-	-	-	-	385,924
1,626,167	551,797	36,500	36,901	6,173,272
-	-	-	-	980,759
-	-	-	-	1,241,727
-	-	-	-	870,332
361,276	-	-	45,812	550,000
-	-	-	-	420,214
-	-	3,077,245	-	3,077,245
-	2,021,321	-	-	2,021,321
-	708,999	-	-	708,999
361,276	2,730,320	3,077,245	45,812	9,870,597
1,264,891	(2,178,523)	(3,040,745)	(8,911)	(3,697,325)
-	220,000	-	-	820,000
-	2,500,000	-	-	2,500,000
-	-	68,744	-	75,354
-	4,257,327	3,100,000	-	7,822,327
(1,350,000)	(2,720,000)	(2,058,687)	-	(7,207,327)
(1,350,000)	4,257,327	1,110,057	-	4,010,354
(85,109)	2,078,804	(1,930,688)	(8,911)	313,029
39,498	(194,987)	1,405,501	45,599	1,840,579
\$ (45,611)	\$ 1,883,817	\$ (525,187)	\$ 36,688	\$ 2,153,608
\$ -	\$ 1,883,817	\$ -	\$ -	\$ 1,883,817
-	-	-	-	435,378
-	-	-	-	154,368
-	-	-	-	174,233
-	-	-	36,690	36,690
-	-	-	-	275,447
-	-	-	-	256,891
(45,611)	-	(525,187)	(2)	(1,063,216)
\$ (45,611)	\$ 1,883,817	\$ (525,187)	\$ 36,688	\$ 2,153,608

See Accompanying Notes to Financial Statements

CITY OF ROCK VALLEY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
Proprietary Funds
As of and For the Year Ended June 30, 2020

	Business Type Activities	
	Water Utility	Sewer Utility
Operating Receipts:		
Charges for Services	\$ 855,750	\$ 922,760
Total Operating Receipts	<u>855,750</u>	<u>922,760</u>
Operating Disbursements:		
Employee Services	450,477	110,002
Distribution / Collection	186,363	195,895
Supplies	23,393	54,647
Repairs	33,361	79,094
Utilities	21,273	62,436
Administrative and General	115,221	13,921
Capital Outlay	16,439	21,481
Total Operating Disbursements	<u>846,527</u>	<u>537,476</u>
Excess (Deficiency) of Receipts Over Disbursements	9,223	385,284
Non-Operating Receipts (Disbursements):		
Capital Projects	-	-
Sale of Capital Asset	-	-
Total Non-Operating Receipts	<u>-</u>	<u>-</u>
Excess (Deficiency) of Receipts Over Disbursements	9,223	385,284
Transfers In	-	-
Transfers Out	<u>(165,000)</u>	<u>(670,000)</u>
Change in Cash Balances	(155,777)	(284,716)
Cash Balances (Deficits) - Beginning of Year	276,549	339,452
Cash Balances - End of Year	<u>\$ 120,772</u>	<u>\$ 54,736</u>
Cash Basis Net Position		
Unrestricted	120,772	54,736
Total Cash Basis Net Position	<u>\$ 120,772</u>	<u>\$ 54,736</u>

See Accompanying Notes to Financial Statements

Exhibit C

Business Type Activities		
Garbage	Non Major	Total
\$ 314,394	\$ 350,336	\$ 2,443,240
314,394	350,336	2,443,240
106,674	50,732	717,885
462,212	2,700	847,170
6,731	165,992	250,763
-	106,359	218,814
3,759	41,972	129,440
11,547	12,712	153,401
-	-	37,920
590,923	380,467	2,355,393
(276,529)	(30,131)	87,847
-	(31,208)	(31,208)
150,000	-	150,000
150,000	(31,208)	118,792
(126,529)	(61,339)	206,639
220,000	-	220,000
-	-	(835,000)
93,471	(61,339)	(408,361)
117,458	(84,897)	531,104
\$ 210,929	\$ (263,694)	\$ 122,743
210,929	(263,694)	122,743
\$ 210,929	\$ (263,694)	\$ 122,743

See Accompanying Notes to Financial Statements

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rock Valley is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, garbage collection and campground facilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Rock Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Rock Valley has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizens of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Rock Valley Economic Development Corporation, Rock Valley Economic Development Corporation Loan Fund, Northwest Iowa Landfill, Sioux County Revolving Loan Fund and Rock Valley Summer Recreation.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for property taxes levied to pay for a portion of the benefits paid to City employees.

The Local Option Sales Tax Fund is used to account for the one percent local sales and services tax activity.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The TIF Fund was established in a previous fiscal year to account for major urban renewal projects and tax increment financing collections and the repayment of tax increment financing indebtedness within the City.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for the governmental receipts, charges to services, special assessments and miscellaneous receipts pertaining to its capital projects, as well as the disbursements of those projects.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Garbage Fund accounts for the operation and maintenance of the City's garbage system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the public works, general government, and business-type activities functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2020 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)

provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the City's time deposits were as follows:

	<u>Maturity Date</u>	
Certificates of Deposit	October 4, 2020 - January 4, 2021	<u>\$218,860</u>

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 – NOTES PAYABLE

The City's computed legal debt limit as of June 30, 2020, is \$14,468,263 of which \$7,486,281 is committed for outstanding general obligation debt.

The following is a summary of debt transactions of the City for the year ended June 30, 2020:

Primary Government	General Obligation Notes Payable – Direct Borrowing by Debt Service Fund	Revenue Notes Payable - Direct Borrowing by Debt Service Fund
Notes payable July 1, 2019	\$ 8,635,000	\$ 9,087,000
Plus: notes issued	220,000	2,500,000
Less: payments	(1,368,719)	(604,000)
Notes payable June 30, 2020	<u>\$ 7,486,281</u>	<u>\$ 10,983,000</u>
Due within one year	<u>\$ 1,333,291</u>	<u>\$ 637,000</u>

Annual debt service requirements to maturity of General Obligation Notes and Revenue and Notes are as follows:

Year Ending June 30	General Obligation Notes – Direct Borrowing		Revenue Notes – Direct Borrowing		Total – Direct Borrowing	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,333,291	\$ 278,143	\$ 637,000	\$ 405,673	\$ 1,970,291	\$ 683,816
2022	1,364,468	231,751	686,000	385,419	2,050,468	617,170
2023	1,345,693	182,184	719,000	363,203	2,064,693	545,387
2024	1,126,969	130,688	753,000	339,471	1,879,969	470,159
2025	813,299	87,121	743,000	314,187	1,556,299	401,308
2026 – 2030	1,502,561	99,859	3,879,000	1,171,765	5,381,561	1,271,624
2031 – 2035	-	-	2,262,000	543,607	2,262,000	543,607
2036 – 2040	-	-	1,304,000	143,844	1,304,000	143,844
Total	<u>\$ 7,486,281</u>	<u>\$ 1,009,746</u>	<u>\$10,983,000</u>	<u>\$ 3,667,169</u>	<u>\$18,469,281</u>	<u>\$ 4,676,915</u>

CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – NOTES PAYABLE (CONTINUED)

For more detailed information of each obligation, including interest rates and outstanding balance, see schedule on page 36.

General Obligation Notes

In November 2019, the city borrowed \$220,000 from the Kansas State Bank of Manhattan for the purpose of purchasing a garbage truck. The interest rate on the obligation is 2.06%. The City will pay principal and interest annually on each May 1 and November 1 through November 2026. The total principal and interest remaining to be paid on the note is \$206,281 and \$30,296, respectively. The total principal and interest paid per the issuance was \$13,719 and \$4,528, respectively.

Revenue Notes and Loans

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,359,000 in water revenue notes issued in February 2009 and \$1,100,000 in water revenue notes issued in April 2019. Proceeds from the notes provided financing for the construction, installation, and equipping of improvements to the City's water system. The notes are payable solely from water customer net receipts and are payable through 2029 and 2039, respectively. The total principal and interest remaining to be paid on the notes is \$1,781,000 and \$688,441 respectively. For the current year, principal and interest paid per issuance and total customer net receipts were \$104,000, \$70,291, and \$855,750, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,947,795 in sewer revenue notes issued in November 2009, \$390,000 in sewer revenue notes issued in January 2015 and \$1,152,000 sewer revenue notes issued in February 2016. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2030, 2024 and 2036, respectively. The total principal and interest remaining to be paid on the notes is \$3,374,000 and \$597,929, respectively. The total principal and interest paid per issuance and total customer net receipts were \$278,000, \$92,949, and \$922,760, respectively.

The City pledged future sewer customer receipts, net of specified operating disbursements, to repay \$525,000 in sewer revenue notes issued in September 2017. Proceeds from the note provided financing for sanitary sewer work being done with the construction of Hwy 18. The total principal and interest remaining to be paid on the note is \$410,000 and \$61,978, respectively. The total principal and interest paid per the issuance was \$40,000 and \$15,033, respectively.

The City has pledged future event center revenues, net of specified operating disbursements, to repay \$1,950,000 in revenue notes issued in July 2018 and \$1,200,000 in revenue notes issued in April 2019. Proceeds from the notes provided financing for the construction of an event center and city hall. The notes are payable up to 70% from event center net receipts and the remainder from the City's local option sales tax revenues. The notes payable through 2033 and 2039, respectively. The total principal and interest remaining to be paid on the notes is \$3,000,000 and \$1,346,304, respectively. The total principal and interest paid per issuance were \$100,000 and \$148,872.

The resolution providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – NOTES PAYABLE (CONTINUED)

- b) The City does not expect to create or establish any sinking fund or similar fund in respect to the notes. No amounts in any other account or funds of the City are reserved or pledged for debt service on the notes.

The City pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,500,000 in sewer revenue notes issued in October 2019. Proceeds from the note provides financing for construction, installation, and equipping of improvements to the City's Sanitary Sewer System. The total principal and interest remaining to be paid on the note is \$2,418,000 and \$972,517, respectively. The total principal and interest paid per the issuance was \$82,000 and \$49,706, respectively

NOTE 4 – LEASES

The City of Rock Valley (lessee) on May 2, 2016 entered into a lease agreement with Caterpillar Financial Services Corporation (lessor) for the use of a Caterpillar 930M Wheel Loader. The lessor grants the City of Rock Valley the option to renew the lease agreement on an annual basis for up to five (5) years at an annual amount of \$21,524. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on November 1, 2016 entered into a lease agreement with Kansas State Bank of Manhattan (lessor) for the use of a Snocrete Snowblower. The lessor grants the City of Rock Valley the option to renew the lease agreement on an annual basis for up to three (3) years at an annual amount of \$27,663. This lease was paid in full in Fiscal Year 2020.

The City of Rock Valley (Lessee) on December 28, 2015 entered into a lease agreement with Kansas State Bank of Manhattan (lessor) for the use of a Lifetime Emergency Ambulance. The lessor grants the City of Rock Valley the option to renew the lease agreement on an annual basis for up the seven (7) years at an annual amount of \$10,836. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on July 1, 2016 entered into a lease agreement with Kansas State Bank of Manhattan (lessor) for the use of a Spartan Firetruck. The lessor grants the City of Rock Valley the option to renew the lease agreement on an annual basis for up to ten (10) years at an annual amount of \$15,000. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on January 6, 2017 entered into a lease agreement with Kansas State Bank of Manhattan (lessor) for the use of a building for ambulance operations. The lessor grants the City of Rock Valley the option to renew the lease agreement on an annual basis for up to eight (8) years at an annual amount of \$38,638. The renewal option places no obligation or duty upon the City to renew the lease agreement.

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 – LEASES (CONTINUED)

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2020.

Year Ending June 30,	Principal	Interest	Total
2021	\$ 75,599	\$ 8,185	\$ 83,784
2022	58,172	6,300	64,472
2023	60,144	4,331	64,475
2024	50,669	2,270	52,939
2025	50,224	643	50,867
2026-2027	15,000	-	15,000
Minimum Lease Payments			331,537
Less: Amounts Representing Interest			(21,729)
Present Value of Minimum Lease Payments			<u>\$ 309,808</u>

NOTE 5 – PENSION PLAN

Plan description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before

CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – PENSION PLAN (CONTINUED)

July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of pay and the City contributed 9.44% for a total rate of 15.73%. Protection members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll for a total rate of 16.52%.

The City's total contributions to IPERS for the year ended June 30, 2020 were \$126,039.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City's liability for its proportionate share of collective net pension liability totaled \$608,668. The collective net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0105112%, which was a decrease of 0.00035% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$156,285, \$270,775, and \$163,641, respectively.

Actuarial assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60 percent per annum
Rates of Salary Increases (effective June 30, 2017)	3.25 to 16.25 percent average, including inflation. Rates vary by membership group.

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 – PENSION PLAN (CONTINUED)

Investment Rate of Return (effective June 30, 2017)	7.00 percent per annum, compounded annually, net of investment expense, including inflation.
Wage Growth (effective June 30, 2017)	3.25 percent per annum, based on 2.60 percent inflation and 0.65 percent real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience, study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100%	

Discount rate – The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate.

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
City's proportionate share of the net Pension liability	\$ 1,333,420	\$ 608,668	\$ 1,069

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 – PENSION PLAN (CONTINUED)

IPERS' fiduciary net position – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS' financial report which is available on IPERS' website at www.ipers.org.

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The city currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$522 for single coverage to \$1,156 for family coverage. For the year ended June 30, 2020, the City contributed \$240,150 and plan members eligible for benefits contributed \$0.00 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Rock Valley and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement.

Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payment	-
Active employees	<u>19</u>
Total	<u>19</u>

NOTE 7 – RISK MANAGEMENT

The City of Rock Valley is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City operates a split funded reimbursement health plan. Under the plan, the City currently purchases a fully insured high deductible healthcare plan and self-funds the deductible and out of pocket maximum down to a lower deductible and out of pocket maximum for employees. A portion of the premium savings between the purchased plan and the employee plan is used to fund the claims for employees who exceed their lower deductible plan. The City's risk is limited to the difference between the out of pocket maximums of the two plans and the risk is estimated at \$58,425.

Any claims payable, including claims incurred but not yet reported, are determined by the City's management and would be recorded in the accompanying financial statements. At June 30, 2020, a claims balance of \$12,205 would be recorded by the City.

**CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020, is as follows:

Fund	General	Employee Benefits	Local Option Sales Tax	TIF Financing	Capital Projects
General	\$ -	\$ 100,000	\$ 90,000	\$ 275,000	\$ -
Debt Service	-	-	288,640	1,075,000	2,058,687
Capital Projects	600,000	-	-	-	-
Garbage	-	-	-	-	-
Total Transfers Out	\$ 600,000	\$ 100,000	\$ 378,640	\$ 1,350,000	\$ 2,058,687

Fund	Debt	Sewer Utility	Water Utility	Total Transfers In
General	\$ -	\$ -	\$ -	\$ 465,000
Debt Service	-	670,000	165,000	4,257,327
Capital Projects	2,500,000	-	-	3,100,000
Garbage	220,000	-	-	220,000
Total Transfers Out	\$ 2,720,000	\$ 670,000	\$ 165,000	\$ 8,042,327

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Move revenues restricted to debt service from the fund collecting the revenues to the debt service fund as debt service payments become due.

NOTE 9 – DEFICIT FUND BALANCES

The City had five funds with deficit fund balances as of June 30, 2020. The City intends to finance these deficits from various resources including: special assessments, TIF collections and capital project debt financing.

The individual fund deficits are as follows:

TIF	45,611
Capital Projects	525,187
Nonmajor:	
Special Revenue - Capital Improvement Levy	2
Enterprise – Campground	153,974
Enterprise – Municipal Housing	124,421

NOTE 10 – FEMA LOAN

In late June 2014, the Rock River in the City of Rock Valley incurred severe flooding causing significant damage to the City's infrastructure and homes in the City. The City of Rock Valley was approved for a Community Disaster Loan for \$939,094 from the Federal Emergency Management Agency. Per terms of the loan, the obligation could be cancelled if the City's revenues after the disaster are insufficient to meet operating requirements. In fiscal year 2015 the City drew \$339,094 on the loan. In fiscal year 2020 they drew an additional \$600,000 on the loan. In the current year, the City was granted forgiveness of the entire balance of \$939,094, thus there was no balance outstanding on the loan at 6/30/20.

CITY OF ROCK VALLEY, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – CONSTRUCTION COMMITMENTS

The City had entered into contracts totaling \$4,635,836 for various road construction, engineering, and sanitary sewer improvements which were ongoing at year end. As of June 30, 2020, \$3,079,485 had been paid against the contracts. The balance of \$1,556,351 remaining at June 30, 2020 will be paid as work on the projects progress.

NOTE 12 – URBAN RENEWAL DEVELOPMENT AGREEMENTS

The City entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developer. The total to be paid by the City under the agreements is not to exceed \$3,880,428.

During the year ended June 30, 2020 the City rebated \$311,947 of incremental property tax to developers. The total cumulative principal amount rebated on the agreements is \$1,305,958. The outstanding balance on the agreements at June 30, 2020 was \$2,574,470.

NOTE 13 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$128,579 of property tax under the urban renewal and economic development projects.

NOTE 14 – SUBSEQUENT EVENTS

In August 2020, the City issued \$1,300,000 of Series 2020 GO Bonds with a 1.95207% interest rate for the Rock Ridge Road street project.

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OTHER INFORMATION

CITY OF ROCK VALLEY, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL
(CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Budgeted Amount			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
Taxes	\$ 1,824,101	\$ 1,796,800	\$ 1,860,508	\$ 63,708
Local Option Sales Tax	390,000	390,000	501,730	111,730
Other city taxes	307,109	317,000	261,957	(55,043)
Licenses and Permits	7,650	8,495	8,356	(139)
Intergovernmental	552,980	6,595,477	1,014,190	(5,581,287)
Charges for Services	2,646,700	3,502,448	2,750,296	(752,152)
Special Assessments	6,000	86,837	1,012	(85,825)
Contributions	-	-	126,763	126,763
TIF Revenue	1,500,000	1,550,000	1,553,562	3,562
Rental of City Property	-	-	93,330	93,330
Interest	-	-	21,983	21,983
Reimbursements	-	-	36,901	36,901
Miscellaneous	41,884	165,150	385,924	220,774
Total Receipts	7,276,424	14,412,207	8,616,512	(5,795,695)
Disbursements				
Public Safety	812,951	1,055,541	980,759	74,782
Public Works	427,400	507,116	1,241,727	(734,611)
Culture and Recreation	627,500	1,166,675	870,332	296,343
Community and Economic Development	543,550	2,386,710	550,000	1,836,710
General Government	352,500	395,826	420,214	(24,388)
Capital Projects	3,775,000	7,070,299	3,077,245	3,993,054
Debt Service	2,285,375	5,366,376	2,730,320	2,636,056
Business Type / Enterprises	1,441,600	2,186,705	2,386,601	(199,896)
Total Disbursements	10,265,876	20,135,248	12,257,198	7,878,050
Excess (deficiency) of receipts over disbursements	(2,989,452)	(5,723,041)	(3,640,686)	2,082,355
Other financing sources (uses):				
Loan Proceeds	1,546,000	500,000	820,000	320,000
Bond Proceeds	-	4,250,000	2,500,000	(1,750,000)
Sale of Assets	-	-	75,354	75,354
Transfers In	-	-	8,042,327	8,042,327
Transfers (Out)	-	-	(8,042,327)	(8,042,327)
Total other financing sources	1,546,000	4,750,000	3,395,354	(1,354,646)
Excess of receipts and other financing sources over disbursements and other financing uses	(1,443,452)	(973,041)	(245,332)	727,709
Balances Beginning of Year	2,371,683	2,371,683	2,371,683	-
Balances End of Year	\$ 928,231	\$ 1,398,642	\$ 2,126,351	\$ -

CITY OF ROCK VALLEY, IOWA
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
JUNE 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$9,869,372. The budget amendment is reflected in the final budgeted amount.

During the year ended June 30, 2020, disbursements exceeded amounts budgeted in the public works, general government, and business-type activities functions.

**CITY OF ROCK VALLEY, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL SIX YEARS*
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019	2018
City's proportion of the net pension liability	.0105112%	.0108616%	.0097806%
City's proportionate share of the net pension liability	\$ 608,668	\$ 687,347	\$ 651,513
City's covered payroll	\$ 1,213,892	\$ 1,167,003	\$ 1,068,312
City's proportionate share of the net pension liability as a percentage of its covered payroll	50.10%	58.90%	60.99%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%	82.21%
	2017	2016	2015
City's proportion of the net pension liability	.0106254%	.0102153%	.0129630%
City's proportionate share of the net pension liability	\$ 668,691	\$ 504,686	\$ 385,280
City's covered payroll	\$ 1,016,705	\$ 1,051,131	\$ 801,630
City's proportionate share of the net pension liability as a percentage of its covered payroll	65.77%	48.01%	48.06%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF ROCK VALLEY, IA
SCHEDULE OF THE CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN YEARS
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 126,039	\$ 117,464	\$ 107,391	\$ 90,917	\$ 93,277
Contributions in relation to the statutorily required contribution	(126,039)	(117,464)	(107,391)	(90,917)	(93,277)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,315,793	\$ 1,213,892	\$ 1,167,003	\$ 1,068,312	\$1,016,705
Contributions as a percentage of covered payroll	9.58%	9.68%	9.20%	8.51%	9.17%

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 97,273	\$ 74,023	\$ 82,713	\$ 73,541	\$ 64,234
Contributions in relation to the statutorily required contribution	(97,273)	(74,023)	(82,713)	(73,541)	(64,234)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,051,131	\$ 801,630	\$ 911,238	\$ 858,973	\$ 829,433
Contributions as a percentage of covered payroll	9.25%	9.23%	9.08%	8.56%	7.74%

See Accompanying Independent Auditor's Report

**CITY OF ROCK VALLEY, IA
NOTES TO OTHER INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020**

Changes of Benefit Terms:

There is no significant changes in benefit terms.

Changes of Assumptions

The 2018 valuation implemented the following refinements as a result of an experience study dated June 28, 2018

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjust retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017.

- Decreased the inflation assumption from 3.00% to 2.6%.
- Decreased the assumed rate of interest on member accounts from 3.75 % to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ROCK VALLEY, IOWA
COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Governmental Nonmajor Funds
As of and For the Year Ended June 30, 2020

Schedule 1

	Special Revenue Funds		Total
	Local Housing Assistance	Capital Improvement Levy Fund	Nonmajor Governmental Funds
Receipts:			
Reimbursements	\$ 36,901	\$ -	\$ 36,901
Total Receipts	36,901	-	36,901
Disbursements:			
Community and Economic Development	45,812	-	45,812
Total Disbursements	45,812	-	45,812
(Deficiency) of Receipts over Disbursements	(8,911)	-	(8,911)
Change in Cash Balances	(8,911)	-	(8,911)
Cash Balances (Deficits) - Beginning of Year	45,601	(2)	45,599
Cash Balances (Deficits) - End of Year	\$ 36,690	\$ (2)	\$ 36,688
Cash Basis Fund Balances (Deficits)			
Restricted For:			
Local Housing Assistance	\$ 36,690	\$ -	\$ 36,690
Unassigned	-	(2)	(2)
Total Cash Basis Fund Balances (Deficits)	\$ 36,690	\$ (2)	\$ 36,688

CITY OF ROCK VALLEY, IOWA
COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Proprietary Funds
As of and For the Year Ended June 30, 2020

Schedule 2

	Campground	Storm Sewer	Municipal Housing	Total
Operating Receipts:				
Charges for Services	\$ 133,183	\$ 36,650	\$ 180,503	\$ 350,336
Total Operating Receipts	<u>133,183</u>	<u>36,650</u>	<u>180,503</u>	<u>350,336</u>
Operating Disbursements:				
Employee Services	50,732	-	-	50,732
Distribution / Collection	-	-	2,700	2,700
Supplies	66,071	27,614	72,307	165,992
Repairs	58,577	-	47,782	106,359
Utilities	7,495	-	34,477	41,972
Administrative and General	12,712	-	-	12,712
Total Operating Disbursements	<u>195,587</u>	<u>27,614</u>	<u>157,266</u>	<u>380,467</u>
Excess (Deficiency) of Operating Receipts Over Operating Disbursements	<u>(62,404)</u>	<u>9,036</u>	<u>23,237</u>	<u>(30,131)</u>
Non-Operating Receipts (Disbursements):				
Capital Projects	-	-	(31,208)	(31,208)
Total Non-Operating Receipts (Disbursements)	<u>-</u>	<u>-</u>	<u>(31,208)</u>	<u>(31,208)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(62,404)</u>	<u>9,036</u>	<u>(7,971)</u>	<u>(61,339)</u>
Change in Cash Balances	<u>(62,404)</u>	<u>9,036</u>	<u>(7,971)</u>	<u>(61,339)</u>
Cash Balances (Deficits) - Beginning of Year	<u>(91,570)</u>	<u>5,665</u>	<u>(116,450)</u>	<u>(202,355)</u>
Cash Balances (Deficits) - End of Year	<u>\$ (153,974)</u>	<u>\$ 14,701</u>	<u>\$ (124,421)</u>	<u>\$ (263,694)</u>
Cash Basis Net Position				
Unrestricted	<u>(153,974)</u>	<u>14,701</u>	<u>(124,421)</u>	<u>(263,694)</u>
Total Cash Basis Net Position	<u>\$ (153,974)</u>	<u>\$ 14,701</u>	<u>\$ (124,421)</u>	<u>\$ (263,694)</u>

CITY OF ROCK VALLEY, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Ten Years Ended
June 30, 2020

	2020	2019	2018	2017	2016
Receipts:					
Property tax	\$ 1,860,508	\$ 1,609,567	\$ 1,505,508	\$ 1,439,963	\$ 1,323,520
Tax increment financing revenue	1,553,562	1,588,673	1,474,621	1,535,097	1,338,571
Local Option Sales Tax	501,730	402,835	386,681	473,022	394,832
Other city tax	261,957	245,290	228,367	240,019	192,947
Licenses and permits	8,356	5,405	5,500	5,935	5,425
Use of money and property	115,313	50,228	20,079	13,810	12,881
Intergovernmental	1,014,190	846,660	978,622	837,143	996,246
Charges for service	307,056	247,328	236,176	263,600	286,934
Special Assessments	1,012	2,613	15,353	16,876	6,932
Reimbursements	36,901	39,684	43,582	39,381	39,500
Miscellaneous	512,687	439,093	424,128	318,706	356,250
Proceeds from Debt Financing	3,320,000	4,750,000	3,435,000	1,985,000	1,894,094
Sale of Capital Assets	75,354	31,800	80,876	81,861	95,830
Total	<u>\$ 9,568,626</u>	<u>\$ 10,259,176</u>	<u>\$ 8,834,493</u>	<u>\$ 7,250,413</u>	<u>\$ 6,943,962</u>
Disbursements:					
Operating:					
Public safety	\$ 980,759	\$ 878,739	\$ 781,379	\$ 888,596	\$ 989,650
Public works	1,241,727	677,175	503,946	738,685	836,701
Culture and recreation	870,332	600,375	539,601	548,915	582,291
Community and economic development	550,000	540,221	488,153	532,630	726,892
General government	420,214	477,548	446,880	494,042	453,352
Debt service	2,730,320	2,544,445	2,511,835	3,122,552	2,646,260
Capital projects	3,077,245	4,886,725	2,803,753	1,523,619	1,381,528
Total	<u>\$ 9,870,597</u>	<u>\$ 10,605,228</u>	<u>\$ 8,075,547</u>	<u>\$ 7,849,039</u>	<u>\$ 7,616,674</u>

See accompanying independent auditor's report

Schedule 3

	2015	2014	2013	2012	2011
\$	1,278,481	\$ 1,109,946	\$1,059,129	\$ 987,446	\$ 926,970
	1,366,396	1,289,016	1,362,663	1,406,356	1,377,680
	390,528	360,843	-	-	-
	-	-	378,015	338,681	296,081
	5,075	6,090	5,040	4,950	2,820
	11,184	12,363	19,807	15,127	31,208
	2,218,074	457,133	410,797	1,175,789	706,807
	501,138	449,208	616,311	490,765	532,470
	-	5,590	3,550	44,341	208,274
	47,541	27,519	-	-	-
	470,115	255,921	612,869	491,049	562,209
	3,040,000	1,900,000	830,000	-	-
	-	75,354	-	-	-
\$	9,328,532	\$ 5,948,983	\$5,298,181	\$4,954,504	\$4,644,519

\$	786,392	\$ 651,381	\$ 725,525	\$ 742,987	\$ 583,228
	905,330	328,111	300,265	322,083	252,038
	742,952	536,499	527,853	395,948	550,449
	484,962	497,446	434,955	826,874	829,052
	514,158	476,150	363,621	392,611	327,383
	2,129,380	1,846,219	1,818,924	1,671,222	1,551,166
	4,203,841	2,528,976	966,494	1,957,568	2,895,674
\$	9,767,015	\$ 6,864,782	\$5,137,637	\$6,309,293	\$6,988,990

**CITY OF ROCK VALLEY
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 4

Obligation Type	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and unpaid
General Obligation:									
G.O. Capital Loan Notes- Series 2010	6/30/2010	2.20-4.30	\$ 1,160,000	\$ 160,000	\$ -	\$ 160,000	\$ -	\$ 6,880	\$ -
G.O. Capital Loan Notes- Series 2011	10/6/2011	2.50-3.95	600,000	160,000	-	75,000	85,000	6,170	-
G.O. Capital Loan Notes- Series 2012	8/15/2012	2.50-3.50	830,000	340,000	-	110,000	230,000	11,405	-
G.O. Capital Loan Notes- Series 2013	8/14/2013	2.50-4.40	1,900,000	1,000,000	-	220,000	780,000	41,330	-
G.O. Capital Loan Notes- Series 2014	6/26/2014	2.5-4.25	2,400,000	1,525,000	-	250,000	1,275,000	59,292	-
G.O. Capital Loan Notes- Series 2015	7/9/2015	2.5-4	1,040,000	720,000	-	100,000	620,000	28,225	-
G.O. Capital Loan Notes- Series 2016	7/21/2016	2.5-4.5	2,070,000	1,610,000	-	180,000	1,430,000	61,400	-
G.O. Capital Loan Notes- Series 2017	9/14/2017	2.5-3.55	1,160,000	990,000	-	95,000	895,000	30,475	-
G.O. Capital Loan Notes- Series 2018	5/31/2018	2.8-3.8	1,750,000	1,630,000	-	135,000	1,495,000	55,213	-
G.O. Capital Loan Notes- Series 2019	4/25/2019	2.75-3.5	500,000	500,000	-	30,000	470,000	17,137	-
G.O. Note Obligation, November 2019	11/1/2019	2.06	220,000	-	220,000	13,719	206,281	4,528	-
Total G.O. Bonds				\$ 8,635,000	\$ 220,000	\$ 1,368,719	\$ 7,486,281	\$ 322,055	\$ -
Revenue Notes:									
Drinking Water Planning & Design Loan	2/4/2009	3	\$ 1,359,000	\$ 785,000	\$ -	\$ 68,000	\$ 717,000	\$ 15,800	\$ -
Clean Water Planning & Design Loan	11/4/2009	3	3,947,795	2,469,000	-	190,000	2,279,000	64,811	-
Sewer Revenue Note - 2015	1/8/2015	2.5-4.5	390,000	215,000	-	40,000	175,000	8,778	-
Sewer Revenue Note - 2016	2/3/2017	2	1,152,000	968,000	-	48,000	920,000	19,360	-
Revenue Note - 2017	9/14/2017	2.55-3.8	525,000	450,000	-	40,000	410,000	15,033	-
Water Revenue Notes - 2019	4/25/2019	3.5-5.25	1,100,000	1,100,000	-	36,000	1,064,000	54,491	-
Revenue Bond - 2019 Event Center	4/25/2019	3.5-4.3	1,200,000	1,200,000	-	40,000	1,160,000	59,362	-
Revenue Bond - Sales Tax Bonds	3/8/2018	3.6-5.2	1,950,000	1,900,000	-	60,000	1,840,000	89,510	-
Revenue Bond - Sewer 2019	10/31/2019	2.70-4	2,500,000	-	2,500,000	82,000	2,418,000	49,706	-
Total Revenue Bonds				\$ 9,087,000	\$ 2,500,000	\$ 604,000	\$ 10,983,000	\$ 376,850	\$ -

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2020

Schedule 5

General Obligation Notes						
Year Ending June 30,	Capital Loan Series 2011		Capital Loan Series 2012		Capital Loan Series 2013	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 85,000	\$ 3,358	\$ 110,000	\$ 7,886	\$ 240,000	\$ 32,970
2022	-	-	120,000	4,200	260,000	23,370
2023	-	-	-	-	280,000	12,320
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
	<u>\$ 85,000</u>	<u>\$ 3,358</u>	<u>\$ 230,000</u>	<u>\$ 12,086</u>	<u>\$ 780,000</u>	<u>\$ 68,660</u>

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2020

Schedule 5

General Obligation Notes						
Year Ending June 30,	Capital Loan Series 2014		Capital Loan Series 2015		Capital Loan Series 2016	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 275,000	\$ 50,667	\$ 110,000	\$ 24,975	\$ 200,000	\$ 56,000
2022	300,000	40,630	120,000	21,125	220,000	49,500
2023	335,000	29,080	120,000	16,625	240,000	41,800
2024	365,000	15,513	130,000	11,825	240,000	32,800
2025	-	-	140,000	6,300	260,000	23,200
2026	-	-	-	-	270,000	12,150
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
	<u>\$ 1,275,000</u>	<u>\$ 135,890</u>	<u>\$ 620,000</u>	<u>\$ 80,850</u>	<u>\$ 1,430,000</u>	<u>\$ 215,450</u>

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2020

Schedule 5

General Obligation Notes						
Year Ending June 30,	Capital Loan Series 2017		Capital Loan Series 2018		Capital Loan Series 2019	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 105,000	\$ 28,052	\$ 145,000	\$ 51,298	\$ 35,000	\$ 14,735
2022	115,000	25,270	160,000	46,875	40,000	13,755
2023	120,000	22,108	175,000	41,835	45,000	12,615
2024	130,000	18,568	180,000	36,148	50,000	11,310
2025	135,000	14,473	195,000	30,118	50,000	9,835
2026	140,000	10,085	205,000	23,390	55,000	8,310
2027	150,000	5,325	210,000	16,215	60,000	6,578
2028	-	-	225,000	8,550	65,000	4,628
2029	-	-	-	-	70,000	2,450
	<u>\$ 895,000</u>	<u>\$ 123,881</u>	<u>\$ 1,495,000</u>	<u>\$ 254,429</u>	<u>\$ 470,000</u>	<u>\$ 84,216</u>

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2020

Schedule 5

General Obligation Notes					
Year Ending June 30,	General Obligation Note, November 2019		Total		
	Principal	Interest	Principal	Interest	
2021	\$ 28,291	\$ 8,202	\$ 1,333,291	\$ 278,143	
2022	29,468	7,026	1,364,468	231,751	
2023	30,693	5,801	1,345,693	182,184	
2024	31,969	4,524	1,126,969	130,688	
2025	33,299	3,195	813,299	87,121	
2026	34,683	1,810	704,683	55,745	
2027	17,878	368	437,878	28,486	
2028	-	-	290,000	13,178	
2029	-	-	70,000	2,450	
	\$ 206,281	\$ 30,926	\$ 7,486,281	\$ 1,009,746	

Revenue Loans						
Year Ending June 30,	Drinking Water Planning & Design (Water)		Clean Water Planning & Design (Sewer)		2015 Sewer Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 70,000	\$ 23,465	\$ 197,000	\$ 71,910	\$ 40,000	\$ 7,278
2022	73,000	21,190	203,000	65,700	45,000	5,738
2023	75,000	18,818	209,000	59,310	45,000	3,938
2024	77,000	16,380	216,000	52,710	45,000	2,025
2025	80,000	13,878	223,000	45,900	-	-
2026	83,000	11,278	231,000	38,850	-	-
2027	85,000	8,580	238,000	31,560	-	-
2028	88,000	5,818	246,000	24,060	-	-
2029	86,000	2,958	254,000	16,290	-	-
2030	-	-	262,000	8,280	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
	\$ 717,000	\$ 122,365	\$ 2,279,000	\$ 414,570	\$ 175,000	\$ 18,979

CITY OF ROCK VALLEY, IOWA
BOND AND NOTE MATURITIES
June 30, 2020

Schedule 5

Revenue Loans

Year Ending June 30,	2016 Sewer Revenue Notes		2017 Revenue Note		2019 Water Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 49,000	\$ 18,400	\$ 45,000	\$ 13,913	\$ 38,000	\$ 48,216
2022	50,000	17,420	50,000	12,608	40,000	46,867
2023	51,000	16,420	55,000	11,108	42,000	45,427
2024	52,000	15,400	60,000	9,348	44,000	43,894
2025	53,000	14,360	65,000	7,308	46,000	42,266
2026	55,000	13,300	65,000	5,033	48,000	40,495
2027	56,000	12,200	70,000	2,660	50,000	38,599
2028	57,000	11,080	-	-	52,000	36,574
2029	58,000	9,940	-	-	54,000	34,416
2030	59,000	8,780	-	-	56,000	32,094
2031	60,000	7,600	-	-	58,000	29,602
2032	61,000	6,400	-	-	60,000	26,963
2033	63,000	5,180	-	-	62,000	24,143
2034	64,000	3,920	-	-	64,000	21,136
2035	65,000	2,640	-	-	66,000	17,968
2036	67,000	1,340	-	-	68,000	14,668
2037	-	-	-	-	70,000	11,234
2038	-	-	-	-	72,000	7,629
2039	-	-	-	-	74,000	3,885
	\$ 920,000	\$ 164,380	\$ 410,000	\$ 61,978	\$ 1,064,000	\$ 566,076

Revenue Loans

Year Ending June 30,	2019 Revenue Bond (Event Center)		2019 Revenue Note		2019 Sewer Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 42,000	\$ 52,498	\$ 70,000	\$ 87,230	\$ 86,000	\$ 82,763	\$ 637,000	\$ 405,673
2022	44,000	51,007	90,000	84,465	91,000	80,424	686,000	385,419
2023	47,000	49,423	100,000	80,820	95,000	77,939	719,000	363,203
2024	49,000	47,708	110,000	76,670	100,000	75,336	753,000	339,471
2025	51,000	45,894	120,000	71,995	105,000	72,586	743,000	314,187
2026	53,000	43,931	130,000	66,715	109,000	69,594	774,000	289,196
2027	55,000	41,838	140,000	60,865	114,000	66,378	808,000	262,680
2028	57,000	39,610	150,000	54,355	118,000	62,901	768,000	234,398
2029	59,000	37,244	160,000	47,155	123,000	59,184	794,000	207,187
2030	61,000	34,708	170,000	39,315	127,000	55,125	735,000	178,302
2031	63,000	31,993	190,000	30,815	132,000	50,807	503,000	150,817
2032	65,000	29,127	200,000	21,220	136,000	46,253	522,000	129,963
2033	67,000	26,072	210,000	10,920	141,000	41,425	543,000	107,740
2034	69,000	22,822	-	-	145,000	36,279	342,000	84,157
2035	71,000	19,407	-	-	150,000	30,914	352,000	70,929
2036	73,000	15,856	-	-	155,000	25,289	363,000	57,153
2037	76,000	12,170	-	-	159,000	19,397	305,000	42,801
2038	78,000	8,256	-	-	164,000	13,198	314,000	29,083
2039	80,000	4,200	-	-	168,000	6,720	322,000	14,805
	\$ 1,160,000	\$ 613,764	\$ 1,840,000	\$ 732,540	\$ 2,418,000	\$ 972,517	\$ 10,983,000	\$ 3,667,169

CITY OF ROCK VALLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 6

	CFDA Number	Project/Contract Number	Federal Expenditures
Indirect:			
DEPARTMENT OF HOMELAND SECURITY			
Iowa Homeland Security and Emergency Management:			
Disaster Grants- Public Assistance	97.036	FEMA-DR-4386-IA	\$ 438,259
	97.036	FEMA-DR-4421-IA	49,558
			<u>487,817</u>
Direct:			
DEPARTMENT OF HOMELAND SECURITY			
Community Disaster Loan	97.030	EMK-2015-LF-4184IA02	600,000
Total Expenditures of Federal Awards			<u>\$ 1,087,817</u>

Note 1 - Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Rock Valley, Iowa under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Rock Valley, Iowa, it is not intended to and does not present the financial position or cash flows of the City of Rock Valley, Iowa.

Note 2 - Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Rock Valley has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor
and Members of the City Council
City of Rock Valley, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City Rock Valley Iowa's basic financial statements and have issued our report thereon dated June 30, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rock Valley, Iowa's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rock Valley, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rock Valley, Iowa's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs, items 2020-001, 2020-002, and 2020-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rock Valley, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial

statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of the statutes.

City of Rock Valley's Response to Findings

The City of Rock Valley, Iowa's response to the findings identified in our audit is described in the accompanying Schedule of Findings. The City of Rock Valley, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Rock Valley, Iowa during the course of the audit. Should you have questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.


Certified Public Accountants

Le Mars, Iowa
June 30, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the City Officials
Rock Valley, Iowa:

Report on Compliance for Each Major Federal Program

We have audited the City of Rock Valley, Iowa's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2020. The City of Rock Valley, Iowa's major federal programs are identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of their federal awards applicable to their federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in a material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of their major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
June 30, 2021

**CITY OF ROCK VALLEY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Part I – Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (e) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance.
- (f) The major program was as follows: CFDA #97.030 - Community Disaster Loan
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (h) The City of Rock Valley did not qualify as a low-risk auditee.

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

2020-001 Financial Accounting – Segregation of Duties

Condition and Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The City Clerk is involved in almost all phases of the finance operations, including cash receipts listing, bank deposits, check preparation, preparation of journal entries, as well as financial reporting and statements.

Effect – The financial accounting is susceptible to an increased risk of errors and omissions and risk of fraud and/or misappropriations of assets.

Cause – With a limited number of personnel and time-constraints, review of all financial accounting activities is not feasible.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

**CITY OF ROCK VALLEY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Part II – Findings Related to the Financial Statements (Continued):

View of Responsible Officials – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

2020-002 Financial Reporting

Condition and Criteria – During the audit, we identified multiple instances of receipts, disbursements and transfers that were not properly recorded in the general ledger.

Effect – Because the current accounting procedures did not identify these certain receipts, disbursements and transfers, the financial statements are susceptible to increased risk of errors and omissions.

Cause – Procedures for identifying and recording certain financial statement transactions are inadequate.

Recommendation – The City should implement procedures to ensure all receipts, disbursements and transfers are properly classified and recorded in the City's financial statements.

Views of Responsible Officials – The City will review receipts, disbursements and transfers to ensure that they are properly recorded in the financial statements.

2020-003 Financial Reporting – Separate Departments

Condition and Criteria – During the audit, we identified that the municipal housing has a separate set of financial books maintained by an outside party.

Effect – The resulting balances of these accounts are not reported to the City Council.

Cause – Due to a lack of centralized record keeping, funds are able to be held off site from City Hall.

Recommendation – The City should maintain all records at one centralized location and implement all public processes relating to public funds.

Views of Responsible Officials – Transaction balances are being reported to the City and reviewed by the council.. We will work on getting the municipal housing accounts integrated with the City's accounting records.

Part III – Findings Related to Federal Awards:

Instances of Non-Compliance:

No Matters were noted

Material Weaknesses

No Matters were noted

**CITY OF ROCK VALLEY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Part IV – Other Findings Related to Statutory Reporting:

IV-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public works function, general government, and business-type activities functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-20 Questionable Disbursement – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

IV-C-20 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-20 Business Transactions – Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>			
Van's Food Pride, owned by Mayor, Kevin Van Otterloo	Supplies and groceries	\$	955	(3)
Professional Insurance Association, owned by Council Member, Jeff Koldenhoven	Insurance		\$145,872	(1)
VH Manufacturing, owned by Jeremy Van't Hul	TIF payment	\$	8,706	(1)
Campground work, Dawson, Colton Vonk, Sons of Deputy Clerk, Jody Vonk	Firewood	\$	4,995	(3)
People's Bank, President Dale Kooima, Council Member	Bonds/Banking	\$	-	(2)

(1) This transaction may represent a conflict of interest and the City should contact legal council for determination as per Chapter 331.342 (j) of the Code of Iowa. Per City management it was noted that the City's board did approve the transactions.

(2) People's Bank is part of a group of local banks who carry some of the City's bonds, no individual bank can control the transaction.

(3) In accordance with Chapter 362.5(3)(j) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$6,000 during the fiscal year.

IV-E-20 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 688 of the Code of Iowa.

IV-F-20 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

CITY OF ROCK VALLEY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

- IV-G-20** **Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-H-20** **Deposits and Investments** – We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policies.
- IV-I-20** **Revenue Bonds and Notes** – No instances of non-compliance with the revenue bond and note resolutions were noted.
- IV-J-20** **Urban Renewal Annual Report** – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.
- IV-K-20** **Annual Financial Report** – The annual financial report was filed by December 1.

MAYOR
Kevin Van Otterloo
CITY ADMINISTRATOR
Tom Van Maanen
CITY CLERK
Tina Vande Kamp



COUNCILMEMBERS
Jeff Koldenhoven
Dale Kooima
Mark Faber
Jeremy Van't Hul
Char Granstra

1507 Main Street - PO Box 100 - Rock Valley, IA 51247 - Phone: 712-476-5707

**CITY OF ROCK VALLEY, IOWA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

PRIOR AUDIT FINDINGS:

The following significant deficiency regarding Internal Control Over Financial Reporting and Internal Control Over Compliance was considered to be a material weakness for the year ended June 30, 2019.

FINANCIAL STATEMENT FINDINGS:

2019-001 Financial Accounting – Segregation of Duties

Condition and Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The City Clerk is involved in almost all phases of the finance operations, including cash receipts listing, bank deposits, check preparation, preparation of journal entries, as well as financial reporting and statements.

Effect – The financial accounting is susceptible to an increased risk of errors and omissions and risk of fraud and/or misappropriations of assets.

Cause – With a limited number of personnel and time-constraints, review of all financial accounting activities is not feasible.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

View of Responsible Officials – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

Current Status – The condition still exists.

2019-002 Financial Reporting

Condition and Criteria – During the audit, we identified multiple instances of receipts, disbursements and transfers that were not properly recorded in the general ledger.

Effect – Because the current accounting procedures did not identify these certain receipts, disbursements and transfers, the financial statements are susceptible to increased risk of errors and omissions.

FINANCIAL STATEMENT FINDINGS (CONTINUED):

Cause – Procedures for identifying and recording certain financial statement transactions are inadequate.

Recommendation – The City should implement procedures to ensure all receipts, disbursements and transfers are properly classified and recorded in the City's financial statements.

Views of Responsible Officials – The City will review receipts, disbursements and transfers to ensure that they are properly recorded in the financial statements.

Current Status – The condition still exists.

2019-003 Financial Reporting – Separate Departments

Condition and Criteria – During the audit, we identified that the municipal housing has a separate set of financial books maintained by an outside party.

Effect – The resulting balances of these accounts are not reported to the City Council.

Cause – Due to a lack of centralized record keeping, funds are able to be held off site from City Hall.

Recommendation – The City should maintain all records at one centralized location and implement all public processes relating to public funds.

Views of Responsible Officials – As of January 1, 2020, transaction balances are being reported to the City. We will work on getting the municipal housing accounts integrated with the City's accounting records.

Current Status – The condition still exists.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MAYOR

Kevin Van Otterloo

CITY ADMINISTRATOR

Tom Van Maanen

CITY CLERK

Tina Vande Kamp

**COUNCILMEMBERS**

Jeff Koldenhoven

Dale Kooima

Mark Faber

Jeremy Van't Hul

Char Granstra

1507 Main Street - PO Box 100 - Rock Valley, IA 51247 - Phone: 712-476-5707

**City of Rock Valley
Corrective Action Plan
June 30, 2020**

CURRENT-YEAR AUDIT FINDINGS

The City of Rock Valley, Iowa, respectfully submits the following corrective action plan for the year ended June 30, 2020.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2020.

The findings from the June 30, 2020 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

FINANCIAL STATEMENT FINDINGS**MATERIAL WEAKNESS:****2020-001 Financial Accounting – Segregation of Duties**

Condition and Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The City Clerk is involved in almost all phases of the finance operations, including cash receipts listing, bank deposits, check preparation, preparation of journal entries, as well as financial reporting and statements.

Effect – The financial accounting is susceptible to an increased risk of errors and omissions and risk of fraud and/or misappropriations of assets.

Cause – With a limited number of personnel and time-constraints, review of all financial accounting activities is not feasible.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

View of Responsible Officials – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

2020-002 Financial Reporting

Condition and Criteria – During the audit, we identified multiple instances of receipts, disbursements and transfers that were not properly recorded in the general ledger.

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Effect – Because the current accounting procedures did not identify these certain receipts, disbursements and transfers, the financial statements are susceptible to increased risk of errors and omissions.

Cause – Procedures for identifying and recording certain financial statement transactions are inadequate.

Recommendation – The City should implement procedures to ensure all receipts, disbursements and transfers are properly classified and recorded in the City's financial statements.

Views of Responsible Officials – The City will review receipts, disbursements and transfers to ensure that they are properly recorded in the financial statements.

2020-003 Financial Reporting – Separate Departments

Condition and Criteria – During the audit, we identified that the municipal housing has a separate set of financial books maintained by an outside party.

Effect – The resulting balances of these accounts are not reported to the City Council.

Cause – Due to a lack of centralized record keeping, funds are able to be held off site from City Hall.

Recommendation – The City should maintain all records at one centralized location and implement all public processes relating to public funds.

Views of Responsible Officials – Transaction balances are being reported to the City and reviewed by the council.. We will work on getting the municipal housing accounts integrated with the City's accounting records.

If the Department of Homeland Security has questions regarding this plan, please call Tom Van Maanen at 712-476-2586.

Sincerely yours,

CITY OF ROCK VALLEY, IOWA



Tom Van Maanen, City Administrator